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United States Senate

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The Honorable Joseph T. Kelliher, Chairman
Federal Energy Regulatory Commission
888 First Street, N.E.
Washington, DC 20426

RE: FERC Docket Nos. EL07-56-000 and EL07-58-000

Dear Chairman Kelliher:

I am writing today to urge the Federal Energy Regulatory Commission (FERC) to take immediate steps to assess allegations that PJM Interconnection LLC has attempted to undermine the vital work of the PJM market monitor. A full hearing is necessary to determine if there is truth behind these allegations and the extent of any wrongdoing. In addition, FERC must provide all RTOs more specific guidelines on the essential role of market monitors so that these alleged actions are not repeated by other RTOs.

As you know, the filings of both the PJM Market Monitor and PJM Interconnection, LLC on June 12, 2007 and July 2, 2007, in response to your Commission's May 18, 2007 data requests has brought to light mounting evidence that PJM management is undermining the vital work done by PJM's Market Monitoring Unit by stripping it of resources, denying it vital data, censoring its reports, and transferring its duties to other PJM departments. PJM's Market Monitoring Unit (MMU) plays an essential role in monitoring the competitiveness of wholesale electricity markets in the PJM region. In fact, in some limited circumstances the MMU even has the authority to intervene in the market and set some prices based on costs rather than those set at auction.

Without a truly viable and objective market monitor New Jersey electric consumers will be subject to high prices because of congestion and a lack of competition in the region.

I am particularly troubled by the following allegations in the recent filings:

- PJM management has allegedly intruded into the independent reporting authority of the MMU by altering or delaying the release of MMU reports to your Commission, other governmental regulatory bodies, and the public.
- PJM management has been accused of stripping the MMU of its ability in limited circumstances to make utilities charge at cost when it appears market prices are unfair due to market power. PJM management reportedly transferred these MMU duties to the Cost Development Task Force.
- The Market Monitor claims that PJM management has obstructed two MMU investigations requested by the NJ Board of Public Utilities.
- PJM management has allegedly denied the MMU adequate personnel and resources.

PJM Interconnection, LLC responded to these allegations most recently in their July 2, 2007, supplemental response filed with your Commission. In reading this filing it is clear that PJM does not take these allegations seriously. Instead of addressing the allegations head on, in a factual manner, they claim four things:

First, PJM claims it has full authority to take the alleged actions to undermine the MMU.

Second, PJM argues that any disagreements between the MMU and management were just the result of natural frictions between a subordinate and a superior.

Third, they attack the credibility of the market monitor and attempt to paint him as a rogue employee promoting his own agenda.

Fourth, PJM claims that FERC is powerless to stop PJM from controlling the MMU.

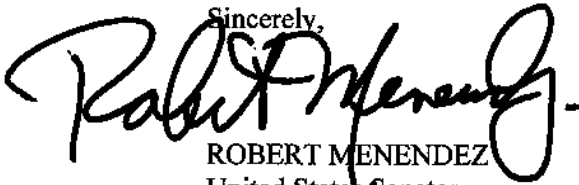
All four of these arguments are troubling. The entire RTO structure would be compromised without a viable market monitor able to objectively evaluate wholesale electricity markets. PJM management apparently fails to appreciate the unique role of market monitoring units within PJM and other RTOs. The MMU should not be treated as any other organizational unit within the PJM structure because its duties invariably will place it at odds with corporate management.

In light of this conflict over the appropriate role of the PJM MMU, and given the gravity of the allegations made by the Market Monitor that require further investigation, I urge your Commission to convene a full hearing to determine the facts in this matter.

It is also incumbent on FERC to make it clear to all RTOs that market monitors must have the resources and independence necessary to carry out their mission. Customer confidence in wholesale electricity markets requires that these markets are being actively monitored, that the markets are structurally competitive, and that market power is being sufficiently addressed by an independent, well-equipped MMU.

I trust your Commission is giving this matter very careful consideration and I look forward to a timely resolution.

Sincerely,



ROBERT MENENDEZ
United States Senator

c: The Honorable Jon Wellinchoff
The Honorable Marc Spitzer
The Honorable Suede G. Kelly
The Honorable Philip D. Moeller